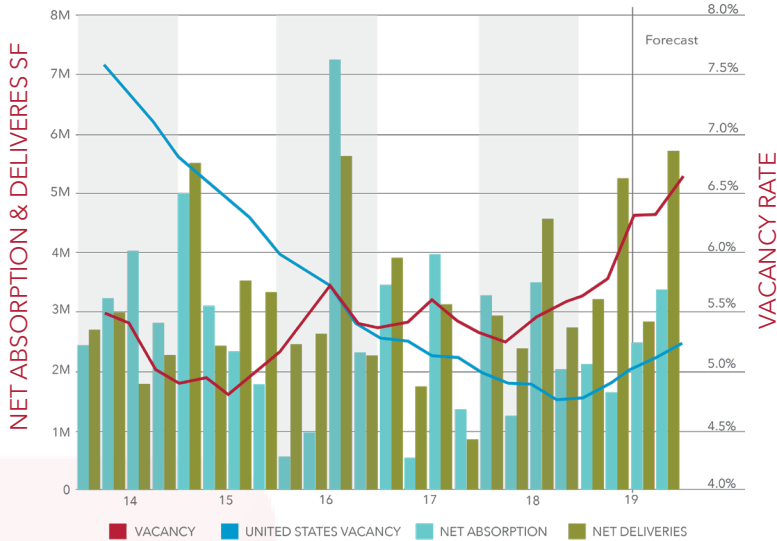


MARKET INDICATORS

	CURRENT Q3 2019		Q1 2019	Q1 2018
Vacancy Rate (%)	6.6	↑	5.8	5.2
Net Absorption (SF)	1,571,624	↓	2,000,490	3,287,624
Rental Rate (\$)	7.39*	↓	7.44	7.19

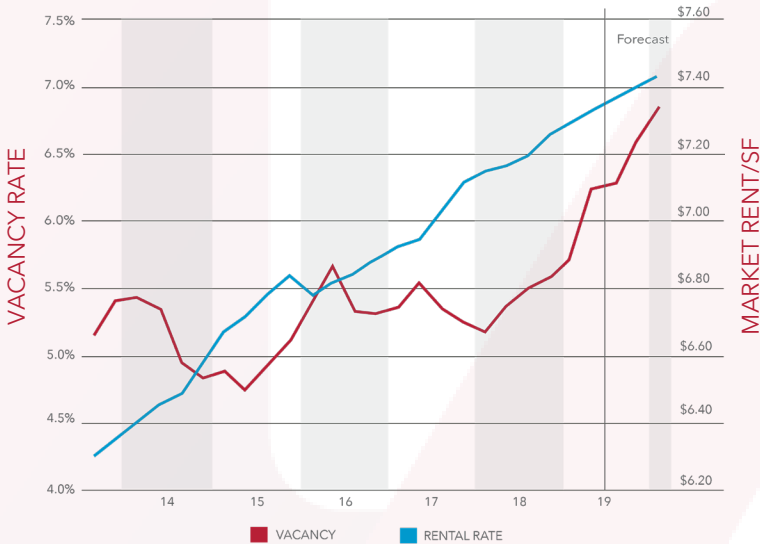
*Read more on this rate on the next page

NET ABSORPTION, DELIVERIES & VACANCY



*Source: CoStar

VACANCY VS. RENTAL RATE



*Source: CoStar

ECONOMY

Houston's economy is continuing to grow via foreign trade and direct investment. Direct investment is a factor of the Port of Houston Authority's billion-dollar ship channel investment project. Loaded imports in the Port of Houston have increased 8.4% in July from earlier in the year and has seen no signs of slowing down. The loaded exports have also increased by 15% (JOC). These increases can be attributed to the rise of the plastics industry, which is not expected to lose steam in the coming years. Employment remained steady at a rate of 3.5% while the U.S. rate is slightly higher at 3.6%. Houston added 81,000 jobs over the last 12 months, which is significantly greater than the historical average of roughly 47,000 jobs per year. The manufacturing sector alone accounted for 14% of the job additions, showing signs of recovery for the energy sector of our market (Texas Workforce Commission). Overall, the Houston economy continues to remain strong and steady with a positive outlook for the future.

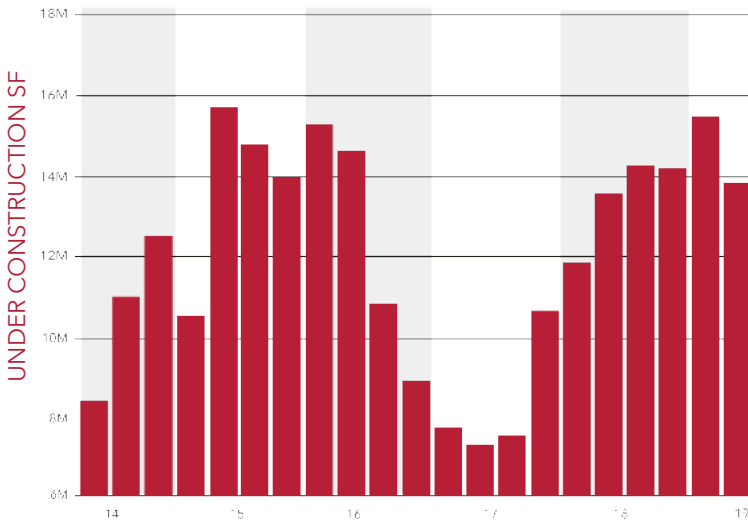
TRENDING NOW WRITTEN BY DALTON KNIPE

The Greater Houston Area has seen a significant increase in demand for big-box distribution centers in the past 18 months. This quarter is no different. Requirements for this industrial product have shifted from previous heavy demand cycles in the size of distribution centers.

The age of 100,000 - 300,000 SF industrial business parks being the norm no longer holds to be true. Tenants are transforming this market to look more like the West Coast distribution hubs of Los Angeles and Riverside, where new development projects range from 500,000 - 1,000,000 SF (Chron). This change has allowed the Houston market to continue growing to accommodate the demand of large retailers and logistics providers like Home Depot, FedEx, Amazon and Men's Warehouse.

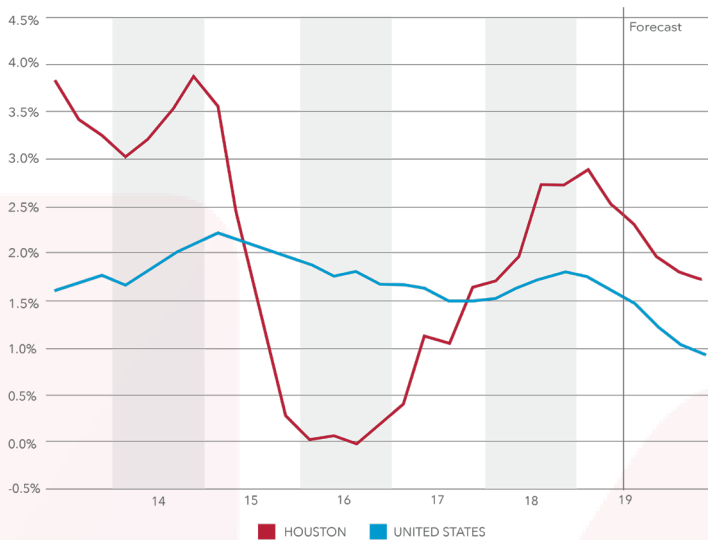
The Port of Houston Authority has addressed this growing demand by announcing a billion-dollar expansion of Barbour's Cut Container Terminal to deepen the channel by five feet to accommodate a higher volume in cargo and a more efficient loading and unloading process (PoHA). The increase in activity in DFW and Austin/San Antonio has also increased the urgency for the Port of Houston to make changes to their current operation. Manufacturing in Houston is continuing to grow but that rate at which it is growing is now decreasing. However, the production index remains positive at a 13.9 reading. Manufacturing executives have a positive outlook as well with the company outlook index up to 7.4 reading, its highest since February (Houston Chronicle).

UNDER CONSTRUCTION



*Source: CoStar

YEAR TO YEAR JOB GROWTH



*Source: CoStar

WTI PRICE

The WTI Crude Oil spot price for a barrel is averaged at \$55.17 as of the last week in August 2019. This is down 20.7% from the same period last year (EIA). The average price is forecasted to increase to \$56.31 by the end of 2019

RIG COUNT

As of September 30, 2019, drilling rigs working in the U.S. is at 898 during the first week in September 2019. This is down 150, or 14.3%, rigs from the same week in September last year (GHP).

RENTAL RATES

Houston is unique because of the oil and gas presence here so rental rates can differ by the type of industrial property you are looking at. The many variables in industrial causes a skew in rates. Looking at distribution versus manufacturing, the bulk-distribution rate is at \$5.08, rear-load is at \$6.48. Manufacturing building rates are at \$7.20 for this quarter. According to CoStar, the average quoted asking rental rate for available Industrial space is at \$7.39, but this is not taking into account the many variables in industrial buildings, especially in the Houston market.

VACANCY

The overall industrial vacancy rate in the Houston market area increased to 6.6% at the end of the third quarter 2019, from 5.8% at the end of the first quarter 2019. The vacancy rate was 5.6% at the end of the fourth quarter 2018, 5.6% at the end of the third quarter 2018, and 5.4% at the end of the second quarter 2018 (CoStar). This rate is generally low and is below the 20-year historical average, but aligned with similar markets. However, as of this quarter, the vacancy rate has crept above the U.S average due to new supply growing faster than demand. However, even with the increase in supply, there is a need for industrial real estate due to e-commerce growth and port-related trades. Flex projects reported a vacancy rate of 9.9% at the end of the third quarter with a 0.3 decrease from last quarters 10.2% at the end of the second quarter 2019 (CoStar). Warehouse projects have a vacancy rate of 5.8% with an increase of 0.3% from 5.5% at the end of the first quarter 2019, 5.3% at the end of fourth quarter 2018, 5.3% at the end of the third quarter 2018, and 5.1% at the end of the second quarter 2018 (CoStar).

ABSORPTION

Net absorption for the overall Houston industrial market ranked top 10 among U.S metros. To date, Houston's net absorption for Q3 is at 499,682 from last quarter's 2,547,2568 square feet. This is due to the fact that there has been more deliveries but the RBA is smaller. The fourth quarter 2018 documents are at 2,416,742 square feet (CoStar). The flex building market recorded net absorption for Q2 2019 and is recorded at (370,643) which is negative from the first quarter 2019 at 30,042. This is higher in comparison to the negative 136,144 square feet in fourth quarter 2018. Third quarter 2018 was positive 198,2015 while second quarter 2018 was negative 129,603 square feet (CoStar). The warehouse building market recorded net absorption of 870,325 for this quarter, down from the 2,120,765 square feet in the first quarter 2019. Net absorption was at a positive 2,552,886 square feet in the fourth quarter 2018, positive 2,774,650 in the third quarter 2018.

HOUSTON Q3 2019 INDUSTRIAL MARKET REPORT

SUBMARKET	EXISTING INVENTORY		VACANCY			YTD NET ABSORPTION	YTD DELIVERIES	UNDER CONST SF	QUOTED RATES
	# BLDS	TOTAL RBA	DIRECT SF	TOTAL SF	VAC %				
Austin County Ind	34	1,669,727	1,454	1,454	0.1%	587,920	0	0	\$1.89
CBD-NW Inner Loop In.	522	12,697,369	621,127	626,031	4.9%	(61,973)	0	0	\$11.72
Downtown Houston Ind	904	32,399,229	1,153,128	1,172,528	3.6%	402,337	0	0	\$6.68
East I-10 Outer Loop.	217	14,054,321	494,287	494,287	3.5%	(108,500)	0	0	\$7.77
East-Southeast Far I.	2,219	76,967,810	5,212,884	5,389,147	7.0%	2,732,340	2,891,234	2,702,472	\$6.90
Hwy 290/Tomball Pky .	668	25,218,953	2,459,225	2,632,954	10.4%	(408,252)	786,323	185,588	\$8.17
Hwy 59/Hwy 90 (Alt) .	1,047	26,193,465	889,134	898,134	3.4%	405,945	60,000	1,113,822	\$7.59
Liberty County Ind	67	1,410,732	92,299	92,299	6.5%	(12,550)	0	0	\$6.76
North Fwy/Tomball Pk.	952	28,449,442	2,429,234	2,650,052	9.3%	369,223	273,670	3,110,782	\$7.74
North Hardy Toll Roa.	856	38,248,542	1,981,989	2,094,740	5.5%	1,493,682	1,689,299	1,700,556	\$7.56
North Inner Loop Ind	197	5,322,971	378,000	378,000	7.1%	62,079	0	0	\$4.38
North Outer Loop Ind	1,089	24,851,215	982,753	1,038,790	4.2%	191,043	0	373,900	\$6.36
Northeast Hwy 321 In.	112	1,846,578	40,086	40,086	2.2%	(17,800)	0	0	\$11.97
Northeast Hwy 90 Ind	648	20,651,906	906,880	943,280	4.6%	102,822	444,000	1,000,200	\$6.90
Northeast I-10 Ind	171	4,447,020	234,277	234,277	5.3%	(1,218)	0	10,800	\$5.56
Northeast Inner Loop.	191	12,229,065	814,621	842,121	6.9%	(220,785)	0	0	\$4.48
Northwest Hwy 6 Ind	428	13,015,851	1,125,857	1,125,857	8.6%	151,677	82,625	303,091	\$6.41
Northwest Inner Loop.	1,792	64,412,977	4,187,668	4,581,785	7.1%	(408,248)	114,000	22,166	\$7.01
Northwest Near Ind	827	20,129,856	1,089,841	1,089,841	5.4%	(274,750)	0	32,200	\$6.76
Northwest Outliers I.	634	27,613,669	2,410,057	2,429,100	8.8%	527,814	1,106,855	1,485,020	\$8.34
San Jacinto Country I.	7	50,396	3,645	3,645	7.2%	(3,645)	0	0	\$0.00
South Hwy 35	1,784	40,159,854	1,762,473	1,923,849	4.8%	(622,844)	29,000	60,000	\$6.38
South Inner Loop Ind	408	13,394,049	733,899	738,486	5.5%	(118,254)	0	0	\$7.94
Southeast Outer Loop.	421	18,019,054	427,190	465,281	2.6%	(51,215)	0	176,201	\$8.85
Southwest Far Ind	611	15,523,558	1,651,655	1,660,190	10.7%	323,018	1,062,029	747,739	\$9.27
Southwest Inner Loop.	452	7,505,197	296,676	297,876	4.0%	(38,380)	0	0	\$12.92
Southwest Outer Loop.	698	15,019,871	1,015,679	1,036,541	6.9%	(64,883)	4,500	4,500	\$9.78
Sugar Land Ind	517	22,836,630	960,512	982,718	4.3%	(133,372)	167,474	298,629	\$7.85
The Woodlands/Conroe.	1,158	21,961,902	1,789,736	1,880,868	8.6%	159,560	115,873	356,811	\$9.32
West Outer Loop Ind	826	27,587,884	1,390,129	1,404,129	5.1%	(90,600)	78,172	89,500	\$7.85
Totals	20,457	633,889,093	37,536,395	39,148,346	6.2%	4,872,191	8,905,054	13,773,977	\$7.48

*Source: CoStar